

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

| | | |
|-----------------------------|---|--------------|
| CENTURY 21 REAL ESTATE | : | CIVIL ACTION |
| CORP. | : | |
| v. | : | |
| | : | |
| DIGENNARO REAL ESTATE, INC. | : | |
| ET AL. | : | No. 01-979 |

MEMORANDUM AND ORDER

Norma L. Shapiro, S.J.

January 31, 2002

Plaintiff Century 21 Real Estate Corporation ("Century 21"), alleging, inter alia, violation of the Lanham Act,¹ breach of a franchise agreement, and breach of a guaranty, filed this action against DiGennaro Real Estate Inc. ("DRE"), John M. DiGennaro ("DiGennaro"), and Ronna R. DiGennaro.² The defendants consented to the entry of a permanent injunction on April 10, 2001, and to a final judgment by consent on April 24, 2001. Presently before the court is plaintiff's Motion to Open the Docket and Declare Defendants in Contempt. On December 27, 2001, the court held an evidentiary hearing on this motion. For the reasons set forth below, plaintiff's motion will be granted.

I. Background

The defendants operate a former franchise of Century 21. After initiation of this action, defendants and their agents agreed to be enjoined from:

¹15 U.S.C. §§ 1114, 1125(a), 1125(c).

²For the purposes of this motion, without objection, the defendants are treated jointly.

[M]arketing, promoting, or offering real estate brokerage services at 2514 South Broad Street, Philadelphia, Pennsylvania or at any other location, such that the origin of Defendants' goods or services are falsely designated as being those of Century 21, including, without limitation, the use of any and all print or telecommunications, advertisements, drafts, labels, signs, flyers, billboards ... that employ or relate, in any manner, to Century 21's trade names, service marks and trademarks. Order, April 10, 2001. (#8).

Defendants also agreed to pay Century 21 \$23,291.32 as a part of a final judgment, and agreed that the court would retain jurisdiction over the enforcement of the terms of the judgment and the injunction. Order, April 24, 2001, ¶¶ 2, 7. Defendants agreed to "destroy or surrender to Century 21 all [trademarked material] or any similar name or marks indicating or tending to indicate any Defendant is an authorized Century 21 franchisee." Id., ¶ 9(c).

At the hearing held on December 27, 2001, Century 21 established that defendants failed to comply with the terms of either the injunction or the judgment. By mid-August, 2001, defendants had placed "for sale" signs containing Century 21 trademarks at several locations in Philadelphia: 6607 Cormorant Street, 705 Johnson Street; 6607 Curley Place; and 2705 10th South Street.

On August 17, 2001, DiGennaro responded to Century 21's complaints about the signs at these locations by averring that he would not cause any more "for sale" signs containing Century 21 marks to be used by his business, and would "remove immediately" any signs that then existed. At the hearing on December 27, 2001, DiGennaro testified that after becoming aware that he had violated the terms of the injunction, and after averring that he would remedy his conduct, he informed his agents that they were not to place offending signs on properties for which DRE was the

selling agent. However, DiGennaro did not ensure his directives were being carried out by visually inspecting the properties. Moreover, he did not take any affirmative action to obtain signs that complied with the terms of the injunction or judgment.

Century 21 established that on November 2, 2001, properties defendants had listed for sale were still marked by offending signs: 2529 Jessup Street; 2001 Snyder Avenue; 921 Snyder Avenue; 1227 Daly Street; and 116 Cantrell Street. At all of these locations, a sign bearing the Century 21 mark, but identifying "DiGennaro Realtors" in smaller print, was placed outside of the property.

Century 21 established that defendants successfully sold properties where Century 21 trademarks had been wrongfully used at three locations in Philadelphia: 705 Johnson Street; 6607 Curlew Place; and 921 Snyder Avenue. Defendants received \$8680.00 in commissions from the sale of those properties.

II. Discussion

A. Legal Standard for Contempt

To establish contempt, the petitioner must prove: "(1) that a valid order of the court existed; (2) that the defendants had knowledge of the order; and (3) that the defendants disobeyed the order." Roe v. Operation Rescue, 54 F.3d 133, 137 (3d Cir. 1995) (citation omitted). Defendants need not prove that plaintiffs' disobedience was wilful. See McComb v. Jacksonville Paper Co., 336 U.S. 187, 191, 93 L. Ed. 599, 69 S. Ct. 497 (1949); Harley-Davidson, Inc. v. Morris, 19 F.3d 142, 148 (3d Cir. 1994); Waste Conversion, Inc. v. Rollins Environmental Services, Inc., 893 F.2d 605, 609 (3d Cir. 1990). The disobedient party's good faith does not bar a finding of contempt. See Harley-Davidson, 19 F.3d at 148.

In civil contempt proceedings, the petitioner bears the burden of establishing the respondent's non-compliance. The petitioner must show by "clear and convincing evidence" that the respondent has disobeyed the court's order. See Quinter v. Volkswagen of America, 676 F.2d 969, 974 (3d Cir. 1982); Schauffler v. Local 1291, 292 F.2d 182, 190 (3d Cir. 1961); Fox v. Capital Co., 96 F.2d 684, 686 (3d Cir. 1938).

"There is general support for the proposition that a [party] may not be held in contempt as long as it took all reasonable steps to comply." Harris v. City of Phila., 47 F.3d 1311, 1324 (3d Cir. 1995). The respondent must "show that it has made 'in good faith all reasonable efforts to comply.'" Id. (quoting Citronelle-Mobile Gathering, Inc. v. Watkins, 943 F.2d 1297, 1301 (11th Cir. 1991)).

There is no dispute in this action that a valid court order existed, and that the individual subjects of the contempt motion had knowledge of it. Defendants do not dispute that their actions violated the court's order, but argue that because they took all reasonable steps to comply, the violation was merely technical

B. Application

Defendants admit that their actions - placing new infringing signs up after April 27, 2001, and failing to remove old offending signs - were in contempt of the court's order. They further admit that DiGennaro was given the opportunity to cure the violations in August, 2001, but failed to do so. Defendants protest that their contempt was not wilful, but rather was the result of DiGennaro's failure to manage his employees' creation and placement of advertising signs. However, once a defendant has knowledge of a valid court order, failure to comply is

contempt. See McComb, 336 U.S. at 191. There is clear and convincing evidence that defendants knowingly violated the court's injunction by: (1) allowing infringing signs to remain in place; and (2) placing new offending signs at multiple properties. The defendants did not take "all reasonable steps" to comply with the court order, Harris v. City of Phila., 47 F.3d at 1324: their violations were not merely "technical" or "inadvertent." General Signal Corp. v. Donallco, Inc., 787 F.2d 1376, 1379 (9th Cir. 1986). It was unreasonable for DiGennaro to continue to rely on a directive to his agents not to post infringing signs when those agents had previously failed to comply with the terms of the court's injunction. It was also unreasonable for the defendants to fail to visually inspect the properties because they are all located in a relatively compact geographic region in South Philadelphia.

Defendants actions were in wilful contempt of the court's orders.

C. Damages

Sanctions for civil contempt serve two purposes: "to coerce the defendant into compliance with the court's order and to compensate for losses sustained by the disobedience." McDonald's Corp. v. Victory Investments, 727 F.2d 82, 87 (3d Cir. 1984). Compensatory awards seek to ensure that the innocent party receives the benefit of the injunction:

the Court will be guided by the principle that sanctions imposed after a finding of civil contempt to remedy past noncompliance with a decree are not to vindicate the court's authority but to make reparation to the injured party and restore the parties to the position they would have held had the injunction been obeyed.

Hudson Transit Lines, Inc. v. Freund, 509 F. Supp. 1172, 1178 (E.D.N.Y. 1981).

Had defendants complied with the injunction and judgment, plaintiff's trademarks would not have been used to sell multiple properties throughout the Philadelphia region. Although it is not certain that every sale of every property falsely advertised would have been made by plaintiff, it is clear that plaintiff is entitled to a measure of reparation in addition to its attorney's fees and costs. Defendants shall disgorge the \$8680.00 in commissions received from properties sold using the Century 21 trademark. Plaintiff shall be entitled to its reasonable attorney's fees and costs.

III. Conclusion

There is clear and convincing evidence that defendants were aware of the court's April 10, 2001, injunction and April 27, 2001, judgment and failed to comply with them, substantially or otherwise. Compensatory damages will include disgorgement of commissions earned on three properties advertised in violation of the injunction, and plaintiff will also be entitled to the fees and costs incurred by plaintiff's counsel in filing and arguing the contempt motion.

An appropriate Order follows.

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

| | | |
|-----------------------------|---|--------------|
| CENTURY 21 REAL ESTATE | : | CIVIL ACTION |
| CORP. | : | |
| v. | : | |
| | : | |
| DIGENNARO REAL ESTATE, INC. | : | |
| ET AL. | : | No. 01-979 |

ORDER

AND NOW, this 31st day of January, 2002, on consideration of plaintiff's Motion to Open the Docket and Declare Defendants in Contempt (#11), defendants' response thereto, after holding a hearing December 27, 2001, where all parties had an opportunity to be heard, having found that defendants actions placed them in contempt of the court's orders of April 10, 2001, and April 27, 2001 (#8 and #10), and for the reasons given in the foregoing memorandum, it is **ORDERED** that:

1. Plaintiff's Motion to Open the Docket and Declare Defendants in Contempt (#11) is **GRANTED**.

2. Defendants are sanctioned \$8680.00, to be paid to plaintiff **on or before February 11, 2002**.

3. **On or before February 11, 2002**, defendants shall either reply to plaintiff's petition for attorney's fees and costs or inform the court that the parties have reached an agreement on this issue.

Norma L. Shapiro, S.J.